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Poland, variable geometry and the European Union

Christian Schweiger

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Abstract

This article examines the future role of Poland in the EU-27, where the traditional Franco-German leadership axis has been replaced by a new variable geometry of leadership constellations in which the larger member states continue to play a central role. In this setting Poland has the potential to emerge from an initially passive role as a policy-taker towards an agenda-setter alongside other larger member states, especially Germany. Poland's influence on other EU policy areas, particularly the Single Market and the EU's external relations, will substantially depend on the extent of its economic recovery from the effects of the global economic recession.

Introduction

The enlargement of the European Union towards eight new member states in Central and Eastern Europe in 2004 and subsequently towards Romania and Bulgaria in 2007 marked a historic watershed in the history of the European integration process. The eastward enlargement illustrated that after more than 40 years of artificial division Europe was finally coming back together on the basis of the expansion of the EU towards a genuinely pan-European organisation. The problem with the latter perspective is that the new member states acceded the EU in the position of *policy-takers*. Many of the EU-15 member states were concerned about the impact of the enlargement towards a group of countries whose economies continued to be troubled by the effects of decades of economic mismanagement under communist regimes. As a result, in spite of the official rhetoric that emerged from Brussels and many of the EU-15 domestic governments, the CEE countries were considered as the poor Eastern dependents who threatened to burden the already overstretched EU budget and to swamp the West with economic migrants. Poland joined the European Union in 2004 as the sixth largest member state behind Germany, France, the UK, Italy and Spain in terms of population size. It therefore was the country amongst the accession candidates that received most attention when it came to assessing the likely impact of the first wave of enlargement in 2004 (Grabbe 2004a, p. 23). This article analyses the potential for Poland to play a leading role in the EU-27. The analysis relies to a large extent on primary sources in the form of speeches and interviews with political elites. Poland's role in the EU has

in recent years mainly been discussed in the scholarly literature under the aspect of its accession to the EU in 2004. Academic scholars have in the main neglected Poland's potential to shape the EU policy agenda and mainly concentrated on its domestic transformation and internal economic situation. Only lately has this gap begun to be addressed and this article attempts to contribute to this new body of literature considering Poland as a potential agenda-setting member state rather than purely as a recent accession country.

The EU-27 *variable geometry*

The fact that Poland is part of the group of the six largest member states with Germany, France, the UK, Italy and Spain matters in the current setting of the EU, where the traditional Franco-German leadership axis has lost a significant amount of influence. Based on the 1963 Elysée Treaty, the partnership between France and Germany had been characterised by the institutionalised coordination of European policy priorities between their national political elites. In the European Economic Community (EEC) of the six (France, Germany, Italy, Belgium, Luxembourg and the Netherlands) the French and German leaders had therefore established themselves as joint agenda-setters. Under this setting it became difficult for other member states to initiate any substantial policy developments or changes to the Community's institutional framework without gaining Franco-German consent. This changed dramatically after the end of the Cold War. The unification of the two German states and the enlargement of the EU towards the former communist countries in Central and Eastern Europe altered the internal parameters of the European project. With over 80 million people Germany turned almost overnight into the largest EU member state and hence gained substantially in terms of its influence. In this respect it was on course to become more than an equal partner with France and gradually moved out of its traditional post-war role as France's deputy when it came to determining the EU leadership agenda. At the same time, the subsequent 2004 and 2007 waves of enlargement towards Central and South-Eastern Europe was historically unprecedented and increased the number of member states from 15 to 27, the largest intake of new members states since the start of the European project.

Since unification, the larger Germany has developed a more self-confident attitude in its European policy and is consequently no longer shying away from publicly disagreeing with French European policy proposals (Cole 2001, p. 68). Gerhard Schröder, who was the first German chancellor with no direct experience of any of the two World Wars, continued to stress that his country would have its own legitimate national interests in Europe. Schröder fell out with French president Jacques Chirac over the content of the Nice Treaty, when he disagreed with the agenda of the French Council presidency on institutional reform (Schweiger 2007, p. 69). In spite of a continuing public display of unity, French and German leaders have in recent years frequently disagreed on major policy issues, such as Single Market policy, agriculture, defence and security and the scope of further enlargement. This

was most prominently illustrated during the global economic crisis by the lack of correspondence between Nicholas Sarkozy and Angela Merkel over the EU-wide bailout plan for national economies, where the German chancellor was reluctant to follow the French president's call for further government support for failing banks and industries. Sarkozy hence publicly criticised the hesitant German stance in a joint press conference with Merkel in Paris on November 24th 2008 "France is working on it while Germany is deliberating" (Sarkozy and Merkel, 2008). **As the economic crisis in Europe continues, with significant impact for the EU single currency, German as the largest Eurozone economy has had to take greater steps to deal with the situation, giving it seemingly greater voice than France.**

Even if the Franco-German duo was able to restore its partnership to the same level it had during the era of Schmidt/d'Estaing and Kohl/Mitterrand, the partnership would not be able to achieve the same agenda-setting influence in the larger EU with its currently 27 member states that it had before the recent waves of enlargement. With each widening of the membership base the EU has become more diverse with distinctive differences in national economic and social models, cultures and political preferences. In this setting it will hence be impossible for two member states like France and Germany to re-establish themselves as a general leadership axis. While cooperation between these two countries still matters, a larger cohort of member states is increasingly unwilling to accept the dominance of a leadership core, particularly if it only involves two countries. As Paterson (2010, p. 48) points out "in the new, more complex EU the strident assertion of core interests offends not only Italy, but also Spain and Poland, which see themselves (and are seen by others) as rising powers".

Instead the EU is witnessing an emerging 'variable geometry', which consists of a new variety of flexible agenda-setting coalitions between individual member states in specific policy areas (Wallace W. 2005, p. 502). The larger member states are obviously playing a decisive role in this new constellation, which is characterised by "pairs or groups of member states seeking to project particular policy or political preferences within the EU system" (Wallace H. 2005, p. 29). These coalitions tend to be short-term and issue-related. Examples are the cooperation between France, Britain and Germany on the preparation of the Single European Act as documented by Moravcsik (1991), between Britain and France on the development of the EU Rapid Reaction force in 1998/99, between the UK, France, Germany, Belgium and Luxembourg to push through the establishment of an integrated European defence and security Policy within the EU's Common and Foreign Security pillar and, most recently, joint British-French efforts to establish a more efficient EU regulatory framework for financial industries in the wake of the global financial crisis. None of these constellations has however aspired to establish itself as a permanent leadership axis and all of them have operated on a temporary and issue-related basis. This is a reflection of the fact that in the larger and far more complex EU-27 the establishment of a "core model as a motor of the EU" is unlikely (Paterson 2010, p. 47). The 'variable geometry' is therefore most likely to become the persistent and defining model of the internal leadership constellation of the enlarged EU.

This is crucial for the future of an EU which remains fundamentally intergovernmental in spite of the predictions that were made by neofunctionalists on the inevitability of an emerging superstate. Even if one characterises the EU as a federal superstate it remains a fact that the process of European integration “is not a *sui generis* process, but is a constitutionally structured process of oscillation between states and central governments” (Pollack 2010, p. 29). The Council as the body which represents the member states in the form of their national governments remains the principal decision-making body with regard to macro-level policy issues such as institutional reform, budgetary matters, enlargement and further policy development in fundamental areas such as defence and security, the economy or justice and home affairs. It therefore matters that the larger member states continue to have substantial influence based on their voting rights in the Council, even if the influence of smaller member states has been slightly strengthened as a result of the extension of qualified majority voting (Hayes-Renshaw 2006, p. 73) and the introduction of a double majority under the Lisbon Treaty (55 per cent of the member states and representing at least 65 of the EU population). Moravcsik’s liberal intergovernmentalism considers the influence of individual member states on the basis of a two-level process of domestic preference formation and subsequent aspiration to convince other member states of these preferences in a process of interstate bargaining on the EU level. From the liberal intergovernmentalist perspective how successful governments are in being able to form coalitions of like-minded member states who share their preferences depends on how attractive these policies are for other member states (Moravcsik 1993, p. 499). In other words, a government is most likely to play a leading role in the EU if it attempts to modify or develop policies which other governments consider likely to be beneficial for the national interests of their country. The crucial factors that determine the prospect for a country to play a leading role in a particular EU policy area therefore tend to boil down to size and in how far the countries national preferences are close to those of other leading players:

Such coalitional dynamics tend to favour large states, whose participation is necessary for viable coalitions, and governments with preferences close to the median of the EC, since they are potential members of more viable coalitions. (Moravcsik 1993, p. 503)

The changes to the internal power dynamics of the EU in the wake of the 2004 and 2007 waves of enlargement presents an opportunity for Poland to exercise profound influence on the EU’s policy agenda. The late Polish president Lech Kaczynski used to highlight Poland’s potential to play a substantial role in the EU, in spite of his country’s weak economic performance:

Of course, in terms of GDP per capita we are amongst Europe’s weakest countries today, but we are as high as sixth in population terms (...) we have no aspirations that would go beyond these limits. The EU has 27 member states and Poland is sixth in that number; and the sixth place, as

in athletics garners points – not medals, but points. We deserve only and exclusively this - nothing more, but also nothing less. (Kaczynski, 2007)

Polish influence in the shifting internal dynamics of the enlarged EU will to a large extent depend on the establishment of working partnerships with the other three largest EU member states, France, the United Kingdom and in particular with former wartime enemy Germany. The Tusk government is especially interested in developing a strategic bilateral partnership with Germany, which it considers to be an indispensable ally in enhancing the dialogue between the EU and its Eastern and South-Eastern neighbours. Foreign minister Radoslaw Sikorski talks about developing a 'strategic dialogue, modelled on German-French relations' with Poland's German partners (Sikorski, 2008). The ambition of the government concentrates on enhancing Polish influence in the EU on the basis of the deepening of Polish-German ties in the context of the wider cooperation with France in the 'Weimar Triangle' and other partners such as the UK and the Visegrad countries. The strategic importance of Germany for these Polish ambitions stems from the fact that the Polish government considers Germany as a partner who shares the Polish priorities for the deepening cooperation within the EU and NATO: "Germany is our key ally and partner in the EU and NATO, an ally who appreciates Polish contribution [sic] to developing the spirit of integration and building the community of the Western world" (Sikorski, 2009).

These sentiments are reciprocated by the German side. Germany turned out to be a strong advocate of Polish accession to the EU. In spite of their refusal to allow Polish workers full access to the German labour market at the time of accession, the German government under Gerhard Schröder and Joschka Fischer had strongly supported Polish membership in the run-up to the 2004 wave of enlargement. The Tusk government acknowledges this and shares none of the scepticism about Germany's role in the EU which was repeatedly expressed by the preceding administration spearheaded by Kazimierz Marcinkiewicz and Jaroslaw Kaczynski and also by the latter's brother, the late Polish president Lech Kaczynski who tragically died in a plane crash in April 2010. The often populist and Eurosceptic European policy exercised by the Kaczynski brothers threatened to give Poland a reputation as the new 'awkward partner' in the EU (Barysch 2006, p. 11), a term that has frequently been used in relation to the United Kingdom. The Kaczynski brothers repeated questioning of German motives in Europe, which was picked up by parts of the Polish media¹, was largely interpreted as a distortion of the day-to-day reality of Polish-German relations, where increasing cultural ties between people from both countries have become the norm (Hawley 2007). The Schröder

¹Most prominently on the cover of the Polish weekly *Wprost* which portrayed the German Chancellor Angela Merkel as a bare-breasted step mother to Lech and Jaroslaw Kaczynski.

government nevertheless considered it to be a reflection of a lack of gratitude for their support for Polish EU membership and warned that Poland's 'anti-German, anti-Russian and anti-European stance' under the Kaczynskis had been in danger of damaging Polish interests in the EU in the long run (Schröder 2006, p. 364).

The late Polish president Lech Kaczynski had recently adopted a more conciliatory tone towards Germany and talked about 'appreciating the importance of Germany' and the need to 'overcome all the existing differences largely stemming from the complexities of history' (Kaczynski 2009). The Tusk government also highlighted the break with attitude of its predecessor by pointing out that 'some have yet not understood that Germany is our ally' (Sikorski, 2008a). The reason why the Polish-German partnership has such great potential is that there is a cross-party consensus in Germany that the deepening of bilateral relations with Poland is not only in the German national interest but is also extremely beneficial for the EU. Like his predecessors Guido Westerwelle, the first foreign minister in Angela Merkel's CDU/CSU-FDP coalition elected in 2009, has prioritised German-Polish relations and decided to make Warsaw the destination of his first official trip. In his first statement to the German parliament, Westerwelle emphasised that it was his personal ambition to intensify relations with Poland and to concentrate on the development of the 'Weimar triangle' with Poland and France:

We want the friendship which has for example grown in the Franco-German relationship to also to become a natural characteristic of the German-Polish relationship. We want to do our part to leave the resentments, which certainly exist – how could it be any different in the context of our history? – in the past (Westerwelle 2009).

This offers the opportunity to renew Polish-German relations and to establish a working partnership with Poland in crucial EU policy areas, particularly in the area of external relations and on the deepening of cooperation in the foreign and security pillar but also in the long run in the development of the Single European Market. The potential for Polish influence on these major EU policy areas will be examined in the subsequent sections of this article.

Poland's integration into the EU Single Market

The Single European Market continues to be the central EU policy area and its completion has become even more important as a result of the global economic crisis. As the debate following the ratification of Lisbon Treaty has shown, EU leaders still struggle to find consensus on the deepening of this policy area. In this light, and compounded by economic crisis, EU leaders have shifted their focus towards economic crisis management. The first and immediate priority in this area was the stabilisation of the eurozone by providing emergency loans under the joint EU/IMF rescue fund with the establishment of an EU Financial Stability Facility with an overall lending capacity of €500 for countries like Portugal whose budgetary

situation becomes critical. This will be replaced by the new European Stability Mechanism in 2013, which is based on the much tighter macro-economic surveillance regime under six-months cycles of policy coordination of the European Semester, which came into effect in January 2011 (European Commission 2010a). The second priority continues to be the completion of the Single Market by accelerating market liberalisation, accompanied by the strategic goals of the EU2020 Strategy, which promotes “smart, sustainable and inclusive growth” on the basis of targets in the area of employment, research and development, education, environmental sustainability and social cohesion (European Commission 2010b).

The EU adopts the open method of coordination in the latter areas to promote policy learning between member states on the basis of monitoring best practice. In the past member states with a good performance record in these priority areas have played a leading role in shaping the revision of the EU policy agenda. This was most noticeable during the 2005 revision of the Lisbon Strategy, where the British New Labour government under Tony Blair successfully transferred core elements of its ‘third way’ welfare-to-work policy strategy to the EU level. This was supported by a sustained period of high levels of economic growth and low unemployment levels under New Labour in the UK. It helped Blair and his ministers to convince the newly appointed Barroso Commission of the need to prioritise growth and jobs by promoting a ‘flexicurity’ strategy which combines incentives to take up work for the unemployed with investment in education and training (Schweiger 2010, p. 530). In order for Poland to become influential in this area it would not necessarily have to become the locomotive for growth and job creation in the Single Market but would at least have to show that it stands out amongst the other CEE member states when it comes to putting its economy and labour market on a sustainable footing. Polish influence on economic issues would also receive an enormous boost if it managed to combine this with accession to the eurozone and subsequently was able to show that it could keep its public finances within the constraints set out by the stability and growth pact. Poland was the only country amongst the EU-27 that did not slide into recession during the global financial crisis. It maintained a growth rate of 1.6 per cent in 2009 when all other EU countries had negative growth rates².

Poland has faced profound problems with its domestic economic transition from a centrally planned economy after the end of the Cold War. This was reflected in sluggish economic growth rates and persistently high unemployment rates, which exceeded those of most of the other EU member states. The largest amongst the eight CEE accession candidates was therefore the one that offered the EU the worst perspective with regard to the impact its accession would have on the Single European Market as a whole. The Economist Intelligence Unit (EIU) predicted in 2003 that it would take Poland longest to catch up with the EU-15 average in terms of economic growth. The bleak EIU forecast was that Poland would not reach the EU-15 average GDP growth per head until approximately 59 years after accession

² Source: EUROSTAT: Real GDP growth rate volume percentage change on previous Year.

(Grabbe 2004, p. 9). Figure 1 shows that the Polish GDP per capita has persistently been about half of the EU-15 but also the EU-27 average before and since accession in 2004.

- Insert Figure 1 here -

Poland's relatively poor economic performance following accession was strongly reflected in its domestic unemployment rate, which before 2006 had been persistently higher than the average EU-27 and higher than those of the other CEE member states. It is noticeable that the Polish domestic labour market performance has noticeably improved after 2006, when the effects of the combination between domestic labour market reforms and the effects of large-scale emigration of Polish workers to the UK and Ireland started to set in (Figure 2).

- Insert Figure 2 here-

In this respect it is important to emphasise that it would be wrong to assume that the improvement in the Polish domestic employment figures are exclusively the result of outward migration. The latter has definitely had a significant impact on the decline of unemployment rates but has to be considered in the context of an overall labour market liberalisation in which many jobs have at least temporarily been filled by foreign workers (Duszczyk 2008, pp. 2-3). The OECD however criticises that the government has not done enough to increase the country's labour force participation rate, particularly amongst older workers (OECD 2009a) and also younger people, where the employment rate is amongst the lowest in the OECD (OECD 2010a). The Polish government also faces the challenge to accommodate the emerging large-scale return migration of Polish workers from the UK and Ireland into their labour market. It is estimated that between 2004 and 2008 around 900,000 workers from Poland had emigrated at least temporarily (more than three months) to the UK, Ireland and Sweden following Poland's accession to the EU, with the UK absorbing the largest number of migrant workers in its labour market at around 240,000 (Central Statistics Office Poland 2009, p. 458). The OECD highlights that Polish workers had started to return from the UK and Ireland even before the recent economic downturn in those countries began in 2007/08 (OECD 2009b).

At this stage it is too early to assess the scale and the impact of the current return migration of Polish workers from the United Kingdom and Ireland to their home country, which emerged as a result of the profound impact of the global credit crunch on the British and Irish labour market³. The latest available figures from the Polish Statistics Office show that in 2007 and 2008 a total of 104,338 Poles who had been registered for a temporary stay abroad for more than three months returned home to their country of origin (Central Statistics Office Poland 2009, p. 449). A

³ 'UK Poles return home', *Daily Telegraph*, 21 February 2009.

continuous large wave of return migrants to Poland will pose a challenge to the still relatively fragile Polish economy and labour market, particularly if returning migrants are unable to find jobs in their home country and consequently become a financial burden for the Polish welfare state. Such a development would make it harder for the government to pursue a strategy of fiscal consolidation and to pursue its ambition to lead Poland into the eurozone. This is an ambition that remains despite the economic crisis impacting the eurozone and the perceived instability of the Single European Currency. On the other hand, especially the return of skilled migrants from economic sectors in which shortages have become most obvious, for example in healthcare, also offers the chance to lay the foundations for the stable long-term recovery of the Polish economy and labour market. This will, however, demand that the government finds adequate policy solutions to work towards the reintegration of lower skilled Polish workers in sectors where employment shortages currently still persist (Duszczuk, 2008b, p. 5).

The Tusk government wants to move Poland into a more influential position with regard to the future direction of the Single European Market. Foreign minister Radoslaw Sikorski emphasised this ambition during his speech on Poland's foreign policy goals for 2009:

Our experiences gathered during the transformation from the command and control economy to the market economy predestine Poland to participate creatively in the works of groups and institutions that develop a new model of managing the financial and economic system. Our realistic plan of preparations to introduce the euro shall favour those endeavours. (Sikorski, 2009)

The latest government report on the development challenges Poland faces over the next twenty years highlights the hurdles the Polish economy still has to overcome in order to establish a stable long-term position of growth and prosperity in an increasingly unstable and competitive global economic environment. The report 'Poland 2030' which was developed by prime minister Tusk's Board of Strategic Advisers points out that the main weaknesses of the Polish economy lie in its patchy infrastructure and its relatively poor performance in the area of innovation and the utilisation of modern technologies (Board of Strategic Advisers to the Polish Prime Minister 2009, p. 17). The report especially emphasises the need to address the still 'exceptionally low' employment rate in Poland but also to work towards making the labour market more inclusive, particularly for young people under 25, women, the disabled, agricultural workers and older workers over 50 years of age (Board of Strategic Advisers, p. 29). The long-term goals set out by the government in the development report are to achieve a stable annual growth rate for Poland's real GDP of at least five per cent and a total employment rate of at least 75 per cent by 2030 based on increasing levels of labour market participation through welfare-to-work strategies and lifelong learning (Board of Strategic Advisers, pp. 36-37). Apart from the need to improve the country's record on employment, the government will also come under increasing pressure from the EU Commission to follow the EU2020

targets on research and development, education, environmental sustainability and poverty. Poland currently shows a good record on low levels of early leavers from education and training amongst 18-24 year olds which stood at 5.4 per cent in 2010 (EU target less than 10 per cent). It however still has some way to go in catching up in terms of R&D investment (0.6 per cent in 2008 and 2009 against EU target of at least 3 per cent), tertiary educational attainment amongst 30-34 year olds (35.3 per cent in 2010 against EU target of 40 per cent) and reduction of poverty where 17.1 per cent of the Polish population were considered to be at the risk of poverty after social transfers (EU average 16.3 per cent). In addition, the EU's new environmental focus which is aimed at a 20 per cent increase in renewable energies, energy efficiency and at least a reduction of greenhouse gas emissions by 20 per cent in comparison to 1990 levels remains a challenge for all EU-27 member states but particularly for transition economies like Poland's.

The challenge of meeting the eurozone criteria

In October 2008, the Tusk government announced that it was its firm ambition to take Poland into the eurozone by 2012. This announcement so early in the first term of a government that had only been elected the year before surprised many and continues to be the subject of an intense domestic debate. It shows however that Poland was determined not to remain at the margins of the eurozone, which would limit its influence in the EU. The government has consequently embarked on a course of fiscal consolidation and even asked for a 20.5 billion dollars credit line from the IMF under the new precautionary Flexible Credit Line (FCL) facility, which the IMF set up to provide flexible support for individual economies during crisis periods in the global economy. Dominique Strauss-Kahn, the former director of the IMF supported this request on the basis of what he calls 'a record of sound economic policies' which have been initiated by the Tusk government⁴. The IMF originally predicted a real GDP growth rate of 3.7 per cent for the Polish economy for 2009 (IMF 2010), while the EU had forecast a growth rate of the Polish GDP of 3.8 per cent in 2009 and 4.2 per cent in 2010⁵. These forecasts recently had to be fundamentally revised as a result of the profound effects of the ongoing global economic crisis on the CEE countries. In its revised economic forecast published in the autumn of 2010, the EU Commission nevertheless reported that the Polish real GDP growth stood at 1.7 per cent in 2009, which made it the only country with positive GDP growth during the year where most European economies were in recession. Growth in Poland accelerated to 3.8 in 2010 and the Commission predicts

⁴ IMF Survey Magazine: *Poland seeks \$20.5 Billion Credit Line from IMF*, 14 April 2009, available at <http://www.imf.org/external/pubs/ft/survey/so/2009/car041409a.htm>, accessed 15 January 2010.

⁵ Source: EUROSTAT National Accounts of EU member states.

that it will increase to 4.0 per cent in 2011, setting Poland on course for where 'real GDP growth is projected to remain close to potential as the labour market situation improves further and private investment accelerates on the back of a projected loosening of credit conditions' (European Commission 2011 p. 125). This is matched by current OECD forecasts, which see the Polish GDP grow by 3.9 per cent in 2011 and then by 3.8 per cent (OECD 2011). The fiscal consolidation course of the Tusk government is aimed at making the Polish economy fit for the challenges of the global economy and to develop it into a role model for the economic transformation of other CEE countries, including potential future EU accession candidates.

The stability and growth pact of the eurozone remains as a contentious issue between Poland and its Western partners in the EU. While the Tusk government is undertaking substantial efforts to meet the EMU stability and growth pact many of the current eurozone members, most noticeably Greece, Ireland, Spain and Portugal but also the big players France and Germany, have in recent years displayed a rather relaxed attitude towards these criteria, which is reflected in their fiscal performance. The national bailout plans which were implemented in most EU member states have pushed the already overstretched domestic budgets of the EU-15 countries further into the red, in the case of Greece and Ireland to the point where a emergency bailout by the EU and the IMF became inevitable. The Polish record since 2004 on working towards the crucial growth and stability criteria has been quite remarkable when compared with the failure of current eurozone members to consistently keep within the stability and growth framework. Figure 3 illustrates that the Polish annual level of borrowing in relation to its GDP was steadily reduced between 2004 and 2007, when it was reduced to two per cent (latest EUROSTAT data). During the same period France was on the way back to breaking the three per cent threshold with regard to the level of annual borrowing in relation to the GDP. The overall level of French public debt is also an ongoing concern, as it has steadily risen from just over 60 per cent in relation to the annual GDP in 2007 to currently 81.7 per cent. Germany only managed to rectify its budgetary position in 2005 and has been breaking the three per cent limit again in 2010 (minus 3.3). The forecasts for 2011 (minus 1.4 and minus 0.8) are currently more optimistic but Germany still has problems with its structural deficit. Currently the total level of German debt stands at 83 per cent of its annual GDP and is unlikely to shrink substantially given the budgetary constraints the eurozone crisis has imposed on the country (European Commission 2011, p. 97). Greece has pushed the eurozone into a fundamental crisis by exceeding the deficit criteria by more than ten per cent and requesting financial assistance from other eurozone countries. Other Southern European countries like Portugal, Spain and Italy are currently also having excessive deficits (between 9 and 11 per cent). The main concern for the eurozone are their growing structural deficits, with Greece's currently estimated to be over 150 per cent and Italy's over 120 per cent of their annual GDP. Poland's prospects of being able to meet the stability and growth criteria are also facing a major setback in the wake of the global economic recession. The level of annual net borrowing in Poland in relation to the country's GDP fell back to 7.3 per cent in 2009 and 7.9 per cent in 2010. The OECD is more optimistic than the EU when it comes to Poland

reducing the level of the annual deficit swiftly, it forecasts a reduction to 4.8 in 2012 (OECD 2010b), while the EU Commission is more cautious and sees it still standing at 5.8 in 2011 and 3.6 in 2012 (EU Commission, 2011).

- Insert Figure 3 here -

The economic recession has also affected Poland's gross level of debt adversely. The spring 2011 Commission economic forecast predicts an increase of Poland's gross debt from 55.5 in 2010 to 55.4 in 2011 and then subsequently 55.1 in 2012, which would still leave the country below the limit defined by the second criteria of the eurozone stability and growth pact, which allows a maximum 60 per cent gross debt as a percentage of the GDP. Poland therefore currently has none of the severe structural debt problems of some eurozone countries. As a result of the ongoing crisis in the eurozone the stability and growth pact criteria eurozone countries have decided to apply both deficit criteria strictly under a new strict system of budgetary supervision.

As long as Poland remains outside the eurozone it is unlikely to gain substantial influence on the Single Market policy agenda. Both are intrinsically linked on the basis of the third Copenhagen criteria for EU members, which states that members are expected to adhere to the aims of political, economic and monetary union (Sedelmeier 2010, p. 423). The experience with Ireland, Greece, Portugal and Italy has made the current eurozone members adamant to ensure that prospective members are able to meet the stability and growth criteria on a permanent basis. As a result of the ongoing crisis in the eurozone the stability and growth pact criteria eurozone countries have decided to apply both deficit criteria strictly under a new strict system of budgetary and macroeconomic supervision⁶. Poland consequently has little prospect to join the eurozone in the foreseeable future if the Polish government is not able to show that it can keep the level of annual borrowing below the three per cent threshold and also reduce the structural level of debt. The formerly lax attitude towards eurozone countries who broke the stability and growth pact criteria has not helped the Polish and other CEE governments in building up and maintaining a domestic political consensus on working towards the stability and growth criteria by limiting public expenditure. As long as existing members, including big players like France and Germany, are allowed to only temporarily abide by the criteria they risk undermining the determination of the governments in aspiring member states to create the domestic budgetary foundations for entry into the eurozone. With the CEE countries currently being under the threefold pressure of continuing with the transformation of their domestic economies and welfare states, consolidating their budgets and limiting the effects the global recession on their labour markets, the deepening crisis and a

⁶ EU Economic Governance 'Six Pack' State of Play, European Press Release, 28 September 2011
<http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/11/647>

possibly breakup of the eurozone could substantially undermine domestic reform efforts in applicant countries like Poland. In this context it is however interesting to note that the recently re-elected Tusk government has been vocal in demanding a greater say for the EU-10 eurozone outsiders on the discussions regarding the reform of eurozone governance and the development of the European Financial Stability Facility (EFSF) and the European Stability Mechanism (ESM). The Polish government not only decided to participate the 'Euro Plus Pact' which was adopted by eurozone governments in March 2011 and commits participating countries to the strict scheduled implementation of national reform programmes based on overall targets⁷. At the recent eurozone crisis summit in Brussels in October 2011, which was followed by a eurozone crisis summit on Greece where Poland could not take part in the main round of discussions, prime minister Tusk publicly voiced the demand that 'EU countries aspiring to the euro area and likely to join it in the near future should also be involved in the work of the Euro Group'⁸. In spite of this stance the Polish government might be attracted by the attempt of the British government to establish a coordinative working group for the non-eurozone countries, which could develop its own proposals on the future governance of the Single European Market.⁹ Poland would certainly be able to adopt a leading role in this group but if the Tusk government wants to maintain its aspiration to join the eurozone it would benefit more from engaging in a dialogue with eurozone countries under the Euro-Plus-Pact arrangements. The future Polish role in this area will therefore substantially depend on the question if the Polish government remains committed to preparing for eurozone entry, in spite of the fact that the eurozone club has become far less attractive given the deepening crisis of some of its current members.

Poland and the external relations of the EU

Poland is unlikely to play a leading role in the debate on the future of the Single European Market, as long as the Polish economy remains fragile and eurozone entry remains a distant prospect. Poland nevertheless has the potential to emerge as a substantial player in the development of the EU's external relations and more specifically its defence and security policy. Here Poland benefits from its status as credible player who has the potential to act as mediator between conflicting

⁷ European Council Brussels presidency conclusions, 24/25 March 2011, available via http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/120296.pdf, accessed 5 November 2011.

⁸ Statement by Polish prime minister Donald Tusk at European Union Council meeting in Brussels, 26 October 2011.

⁹ 'UK's Cameron rallies EU countries outside eurozone', *Reuters*, 28 October 2011, available via <http://www.reuters.com/article/2011/10/28/us-britain-cameron-europe-idUSTRE79R26L20111028>, accessed 5 November 2011.

interests amongst the EU-15, especially the three largest member states France, Germany and the United Kingdom who have for years struggled to find consensus on the deepening of the EU's Common Foreign and Security pillar. Poland has frequently been characterised as a country which is subservient to American foreign policy interests. These suspicions seem to have been substantiated when the government signed a defence deal with the Bush administration in 2008. The deal had intended to allow the stationing of American interceptor defence missiles on Polish territory in exchange for an enhanced US security guarantee for Poland¹⁰. The Obama administration decided to scrap the plans and to proceed with the stationing of submarine-based anti-missile interceptor systems in the North Sea and the Eastern Mediterranean under the revised SM3 project. The Obama administration also announced plans to establish land-based missile interceptor systems by 2015, which were approved at the NATO Lisbon summit in November 2010. The Polish government was initially sceptical about these changes¹¹ but has since committed itself to participate fully in the SM3 project. Polish prime minister Tusk stated in this respect during the visit of US vice-president Biden: "The project of a new configuration of anti-missile defence is seen by Poland as very interesting and much needed and we are ready to participate in its implementation to an adequate extent" (Tusk 2009).

The bilateral partnership with the United States is nevertheless just one facet of Poland's foreign policy, which aspires to combine a strong transatlantic orientation with the commitment towards the deepening of military and political cooperation within both NATO and the EU. The emerging Polish policy in this area hence is deeply embedded in the ambition to create an integrated European defence and security policy which not only deepens cooperation between existing members but promotes the "shaping of a common foreign policy towards the East" (Sikorski 2008a). The basis for this is the Polish support for the further enlargement of NATO and the EU towards neighbouring countries at its Eastern borders such as the Ukraine, Georgia and Belarus but also the countries of former Yugoslavia and even Kazakhstan, Turkmenistan and Uzbekistan (Kaczynski, 2009). In the case of NATO the Polish government also strongly supports the extension of military missions outside the territory of its current treaty responsibilities (Sikorski 2008b). This is linked to the view that only NATO can currently provide a viable military security guarantee against a new variety of global threats and especially against potential renewed Russian hegemonial ambitions in Europe. The Polish support for the deepening of the EU's foreign and security pillar is considered to be a

¹⁰ 'US, Poland sign missile defence deal', *The Guardian*, 20 August 2008.

¹¹ Interview with Polish foreign minister Radoslaw Sikorski, *Foreign Policy*, 2 November 2009, available via http://www.foreignpolicy.com/articles/2009/11/02/interview_radoslaw_sikorski, accessed 15 January 2010.

'complimentary insurance policy' which is supposed to take a softer policy approach in areas such as diplomatic crisis prevention and resolution and also humanitarian aid (Sikorski 2008a). This view is in line with NATO's new strategic concept, which calls for 'full complementary between NATO and the EU' by acknowledging that the EU has most expertise in the area of non-military civilian crisis management (NATO 2010, p. 24).

Poland's approach towards defence and security in Europe is therefore not only in line with the emerging mainstream policy consensus between EU leaders and the Obama administration. Poland is also close to the German approach towards the deepening of the EU's foreign and security pillar, which has traditionally been built on the EU as a 'civilian power' with, a preference for non-military conflict prevention and resolution, the use of military force as a last resort and exclusively as part of a multilateral political consensus on the basis of the principles of the UN Charter (Harnisch and Maull 2001, p. 4 and pp. 56-57). The Polish concept of an eastward orientation of the CFSP and the complimentary definition of the CFSP is likely to find strong German support and therefore offers the potential for Polish-German cooperation in this area. Like Poland, Germany has traditionally resisted French demands to substitute the transatlantic partnership with the US within NATO with an independent European defence and security policy pillar. Chancellor Angela Merkel highlighted this during her speech at the 2009 Munich security conference, when she called for a European defence and security policy which enables Europeans to find a common voice inside rather than outside NATO. This should consequently lead towards 'a new form of cooperation within NATO' (Merkel 2009). The new Christian Democrat-Liberal government coalition in Germany is also more supportive of Polish ambitions to substantially extend the realm of NATO's military operations. The former German defence minister Karl-Theodor Freiherr zu Guttenberg emphasised that NATO would have to 'leave borders behind' if it wanted to secure the security of its members: ' "Out of area" is no longer a term which we can really adequately describe our current reality' (Guttenberg 2010).

What is yet clear is that Poland has so far failed to gain strong support amongst other larger EU-15 member states for a further expansion of NATO. In 2008 president Kaczynski had called for the swift enlargement of NATO towards Ukraine, Georgia and South-Eastern Europe which should 'run parallel with enlargement of the EU' (Kaczynski, 2008). This view is not widely shared and is particularly seen with scepticism in France and Germany, who both favour the reform of NATO's operational structure and redefinition of its mission statement before further members can join.

The same applies to the future enlargement of the EU. Poland pushes towards the further expansion of the EU on the grounds that the inclusion of more countries in the European project will strengthen the security and stability of the European continent and reunite a Europe that was artificially divided by the Cold War. Poland, in conjunction with Sweden, has hence started a new initiative called the 'Eastern Partnership', which has been approved by the European Council as part of the EU's

external relations system. The partnership is aimed at establishing a 'political association' between the EU and the participating neighbouring countries in the East (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine), which will include the establishment of a free trade area, the liberalisation of visa regimes and the gradual adoption of the EU *acquis* (Ministry of Foreign Affairs of the Republic of Poland 2009). The long-term goal of the partnership as it was determined by the joint declaration passed at the Prague Eastern Partnership Summit in May 2009 is to "accelerate political association and further economic integration between the European Union and interested partner countries". The declaration also made the clear that the current member states are giving no guarantee on future membership prospects for the participating partner countries: "It will be developed without prejudice to individual partner countries' aspirations for their future relationship with the European Union. It will be governed by the principles of differentiation and conditionality" (European Council 2009, pp. 5-6).

Poland envisages Germany as the main partner in the development of the EU's neighbourhood policy towards the East and the South-East of its current borders. Domestic scepticism towards further enlargement in Germany has however grown substantially in recent years, both amongst the public and the political elite. This is mainly the result of concerns fear that the accession of further members might overburden the current institutional and budgetary framework of the EU. In addition, the public debate on future widening of the EU is dominated by a fear of an influx of organised crime. Eurobarometer data shows that Germany, which was the main advocate of the eastwards enlargement in 2004, is now amongst the most sceptical member states (alongside France and Austria) when it comes to the assessment of the recent and possible future waves of enlargement. While a majority of citizens in all 27 EU member states think that the recent enlargement has strengthened the EU (48 per cent), only 38 per cent of Germans agree with this view, while 48 per cent consider it has having weakened the Union (European Commission 2008a: 63). In contrast to Polish public opinion which is overwhelmingly in favour of future enlargement (69 per cent) (European Commission 2009, p. 160), a majority of Germans are currently also opposed to any further enlargement of the EU, with the exception of Croatia, where a slim majority is in favour of accession (European Commission 2008b: 41). This hardening of public opinion against further enlargement is reflected in the attitudes of the German political elite, where particularly the Christian Democrats (CDU) led by Chancellor Merkel and their Bavarian sister party CSU have in recent years initiated a new debate on the 'finality' of the EU and are proposing association arrangements rather than full membership for neighbouring countries. During a speech to the German parliament in May 2006 Merkel called on the EU to consider the finality of its borders in order to be able to deepen the process of political integration amongst the existing member states: "The EU enlargement process will sooner or later have to determine its final borders in order to operate decisively and to represent a united organisation" (Merkel, 2006). This view is not yet consensus amongst the German political elite and opposed by Merkel's coalition partner the Free Democrats (FDP) and the opposition parties SPD, Bündnis90/Greens and Die Linke. The former

German foreign minister Westerwelle (FDP) caused public dissent within the government coalition when he indicated during his visit to Turkey in January 2010 that Germany would remain open towards the possible future accession of Turkey to the EU¹². It nevertheless creates difficulty for Poland in terms of being able to count on Germany as an ally in its promotion of an 'open door' policy towards the Eastern and South-Eastern neighbours of the EU and NATO. Poland is more likely to find a supportive partner on this issue in the United Kingdom, where the political consensus continues to focus on the traditional 'widening against deepening' approach towards enlargement. The UK is therefore more likely to advocate further expansion of the EU and NATO, albeit at a slower pace than the Polish leadership would like to see. The British political elite also shares Poland's sceptical attitude towards Russia, which stands in stark contrast to the pro-Russian bias in Germany's foreign policy. It was particularly pronounced under the leadership of Gerhard Schröder who established a close personal friendship with the then Russian president Putin. The recent crisis in Georgia has once again shown that Germany's conciliatory attitude towards Russia. This frequently manifests itself in a reluctance to criticise Russian domestic human rights violations and to question Russian foreign policy motives, for example over its energy policy. It is not widely shared amongst other EU member states and the British government was quite determined in its outspoken criticism of Russia's military engagement in Georgia and the then Conservative opposition leader and current British prime minister David Cameron went so far as to offer Georgia the perspective of swift membership accession to NATO¹³. Like most of the CEE countries Poland is sceptical about Russian foreign policy motives in Europe and accuses Russia of exercising its relations with the EU on the basis of "its own system of values, rooted in its own traditions and cultural codes" (Sikorski, 2008). The Polish government has recently nevertheless called for the establishment of a new dialogue with Russia with the aim of establishing a new partnership between the Russia and the EU, particularly in the crucial area of energy security, where the Eastern Europeans have accused Russia of exercising political muscle:

Poland is very much engaged in developing an open and pragmatic relationship with our Eastern neighbour (...) Our government was instrumental in restarting negotiations between the Commission and Russia on a new partnership and cooperation agreement (...) Not only should we speak to our Russian partners with one voice, but we should coordinate our efforts to diversify the sources and transportation routes

¹² 'CSU rejects Foreign Minister Westerwelle's Turkey policy', 8 January 2010, available at <http://www.dw-world.de/dw/article/0,,5101312,00.html>, accessed 27 April 2010.

¹³ David Cameron (2008), 'What happens in Georgia directly affects us', *Daily Telegraph*, 12 August.

of energy. (Sikorski 2009b)

Ironically the tragic crash of the plane carrying the Polish president Lech Kaczynski, who was known to be sceptical of Russian influence in Europe, on Russian territory seems to have brought the two countries closer together. The level of sympathy expressed by the Russian political elite in the aftermath of the tragedy was very well received in Poland. Prime minister Tusk used the opportunity of the memorial service for the victims of the plane crash in Katyn, which was also attended by Russian prime minister Vladimir Putin to open a new chapter of reconciliation between Poland and Russia: 'We must find in ourselves that daring and that strength to once and for all open everything. We want to remember so that this road to reconciliation might be as straight and short as it can be.' (Tusk 2010)

It will be beneficial for the EU as a whole if Poland manages to establish itself as a leading player in the EU's neighbourhood policy and more specifically in the deepening of the foreign and security pillar. Poland is likely to find a partner in the UK and other CEE member states in its drive towards the future enlargement of NATO and the EU and the establishment of a strategic dialogue with Russia, which takes place at eye level and is not afraid to bring up controversial issues such as human rights and energy security. Germany can offer Poland a strategic partnership in developing a parallel process which is aimed at deepening the transatlantic alliance with the US within NATO, while at the same time strengthening efforts amongst EU member states to coordinate their foreign and security policies in the CFSP pillar. Cooperation with both Germany and France in the 'Weimar triangle' will be crucial to achieve progress on the latter. Poland could potentially play a mediating role in this policy area by supporting Germany in countering French attempts to weaken transatlantic ties with the US and NATO as part of an integrated EU foreign and security policy, while at the same time ensuring that the EU enters a critical dialogue with Russia which avoids the German tendency to let Russia dictate the terms of the partnership.

Conclusion: Poland as a strategic player in the EU

Poland has a unique opportunity to establish itself as a leading player in the EU in the future. It has joined the EU as part of an historic enlargement process which subsequently has led to a fundamental change in the internal leadership dynamics of the EU. The end of the bilateral Franco-German domination of the EU offers new member states like Poland the chance to engage themselves in the emerging flexible variable geometry of the EU, where the agenda-setting influence of varying coalitions of individual member states tends to be short-term and related to specific policy areas.

The last European parliament elections in May 2009 illustrated the extent to which Poland's role has grown in the EU since 2004. Poland emerged from the elections with the most MEPs in the European People's Party group, which is the biggest

political grouping in the European parliament. The increased Polish influence was also reflected in the election of the former Polish prime minister Jerzy Buzek as the new president of the European Parliament. Polish foreign minister Sikorski called this 'a symbolic overcoming of the old divisions of Europe' (Sikorski 2009b). The European Parliament has in over time acquired a substantial level of influence due to the increasing use of the co-decision procedure in the EU's policy-making process, which includes budgetary matters and the selection of the Commission (Shackleton 2006, p. 109). The Lisbon Treaty has extended the EP's powers even further by extending the co-decision procedure to new areas, particularly in the area of police and judicial cooperation. Under the provisions of Lisbon the EP therefore now 'has a role to play in almost all lawmaking'¹⁴. The Polish influence on policy development, budgetary matters and the composition of the Commission has therefore grown substantially. Since its accession to the EU, Polish influence on the strategic decisions made by the EU member state governments in the Council has nevertheless been limited as a result of the country's relatively weak economic performance and the ongoing need to preoccupy itself with the domestic process of economic transformation. Recent economic and labour market figures show that Poland has indeed made a substantial efforts to improve its economy. It yet risks to be held back once again by the ongoing turmoil in the global economy which has particularly affected the frail economies of the CEE countries due to their inability to provide the same budgetary resources for national stimulus plans as many of their EU-15 counterparts. If the underlying structural problems in the Polish economy cannot be resolved swiftly it poses a risk for the long-term stability of the Polish economy and consequently would make it likely that Poland's weight in the Single European Market remains limited. Failure to remain on a fiscal consolidation course would also severely hamper the Polish government's ambition to take the country into the currently troubled eurozone. In addition, it risks to weaken Polish influence on the debate regarding the deepening of the EU foreign and security pillar. The Polish foreign minister recently indicated that the economic crisis would force Poland to abandon its participation in some of the military missions abroad it is currently engaged in (Sikorski, 2009a). If this materialises it would be detrimental to Poland's ambition to establish itself as a leading player in this area and would make it less likely that Poland can act as a mediator between those member states that favour transatlanticism and those who want to see a more integrated European defence and security pillar.

Poland's political elite seems to realise internal dynamics of the EU-27 have changed and therefore tends to highlight the importance of establishing strategic bilateral partnerships with the larger EU-15 members, most prominently with Germany. Poland prefers the deepening of economic integration and political integration in limited areas, such as security and defence, to a vision of an integrated federal

¹⁴ *Treaty of Lisbon – Taking Europe into the 21st century*, 2009, available at http://europa.eu/lisbon_treaty/glance/democracy/index_en.htm, accessed 29 April 2010.

superstate. The controversial domestic debate on the Lisbon Treaty and the reluctance of the late Polish president Kaczynski to sign the treaty reflects a certain degree of lingering Euroscepticism amongst the Polish political elite and the general public. Poland is nevertheless committed to deepening the economic integration of the EU, represented by the Single Market and the eurozone and to push towards the deepening of political cooperation in the area of external relations, including defence and security. Prime minister Donald Tusk emphasised in his first exposé that Poland considers itself no longer to be the 'Cinderella' of the European Union and is determined to make what he calls the 'civilisation leap' to catch up with the level of economic development in the EU-15 and to join the eurozone.

The European Union is not a superstate and will not be a superstate, but it should be a superpower, it should be an organisation – with our country as its important member – which is respected all over the world and should be main central actor in global events. It is an ambitious plan and we, Poles, have the right and obligation to influence these aspirations. (Tusk, 2007)

The future Polish influence in the EU will depend if it can take up its predestined role as the leading power amongst the CEE member states and therefore become the main focus Berlin and Paris in the East. As Thomas Vasalek from the Centre for European Reform in London argues 'Poland, by virtue of its size and prominence, is the region's natural leader. This gives Warsaw real power in the forthcoming debates such as the one about the next EU budget framework starting in 2014' (Valasek, 2010). If the Tusk government manages to steer Poland swiftly towards the road of economic recovery it would support its ambition to join the club of the leading member states (France, Germany and the UK and, due to their current economic weakness, to a lesser extent Italy and Spain). Poland is then likely to become a strong advocate of strengthening the role of the EU as an influential global player on the basis of an expanding membership and an integrated common foreign and security policy.

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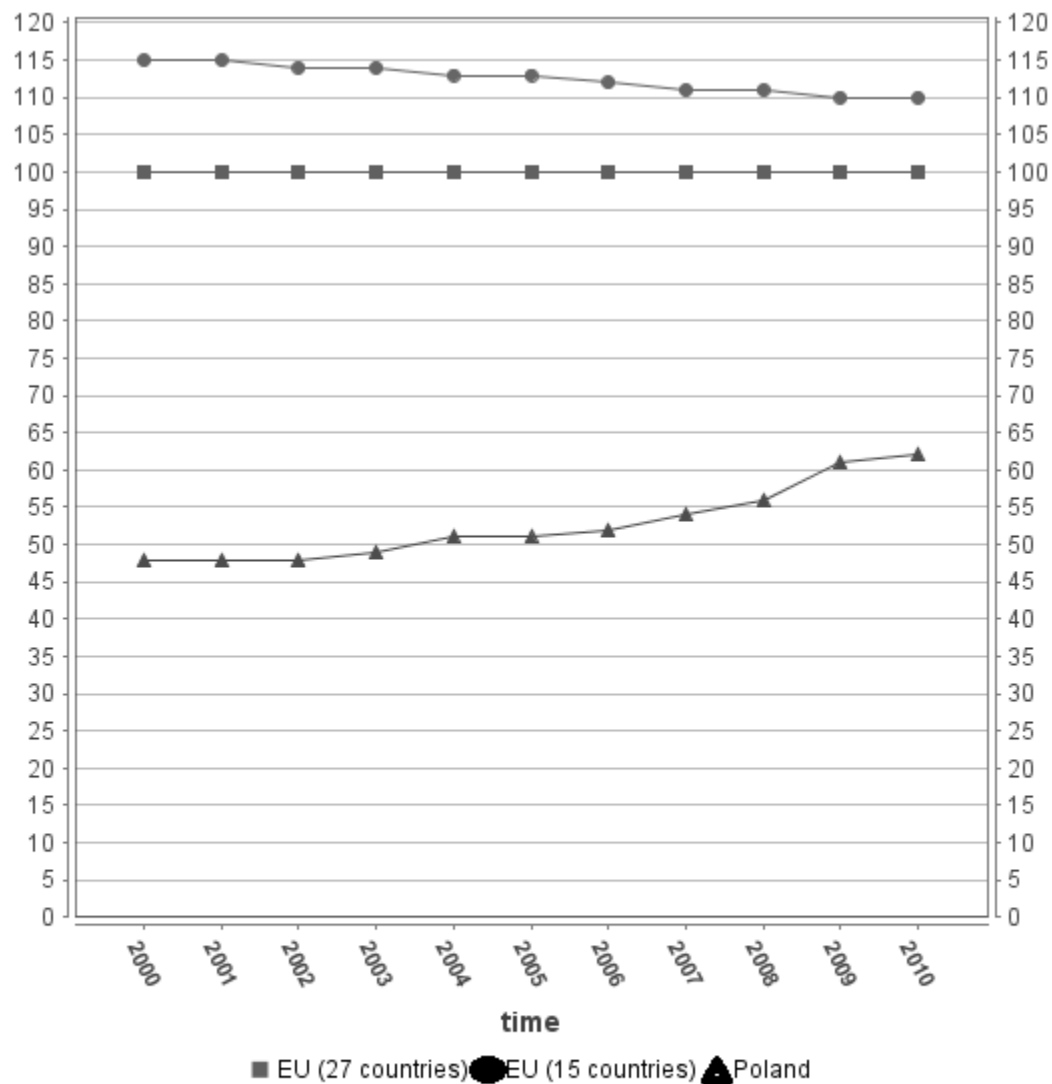
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Tables and Figures

Figure 1

GDP per capita in Purchasing Power Standards (PPS EU-27=100)

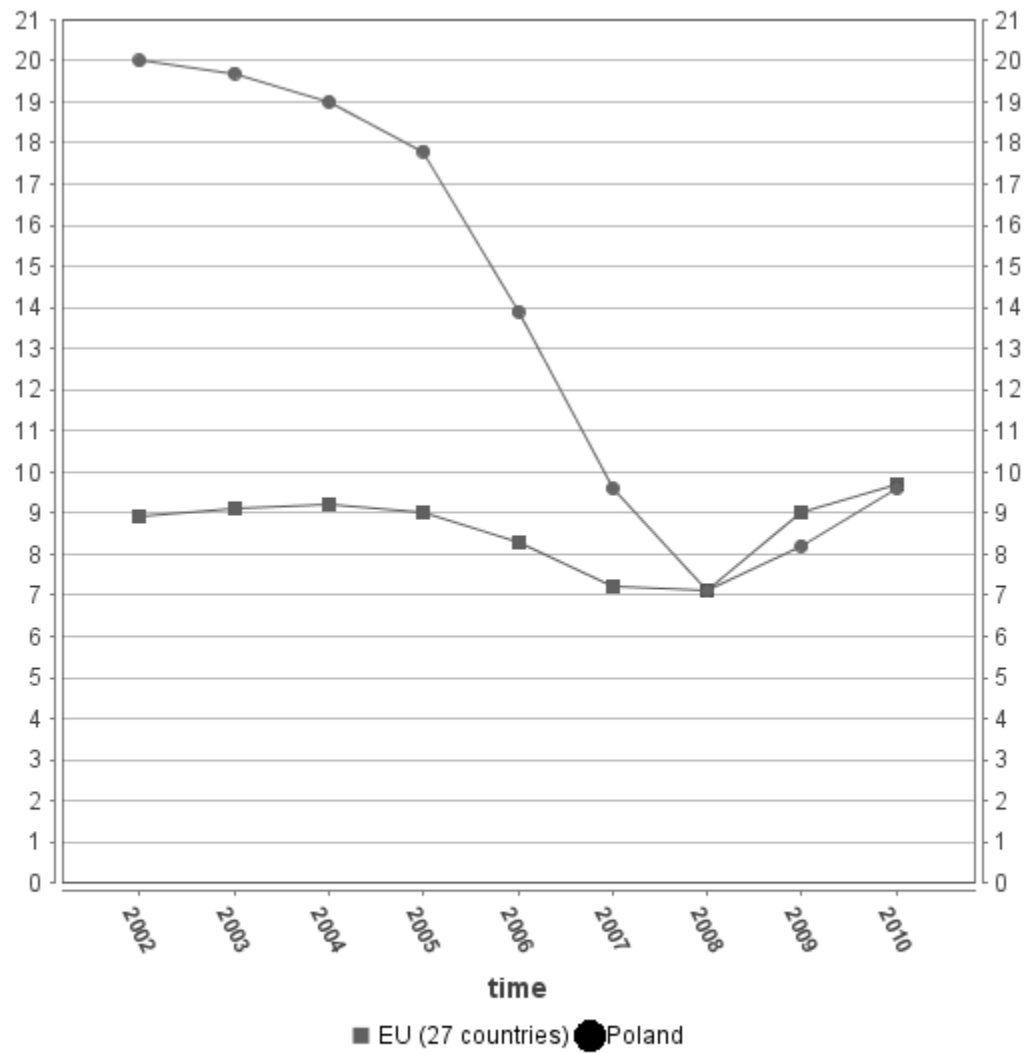


Source of Data:: Eurostat

Last update: 05.11.2011

Figure 2

Total unemployment rate (%)

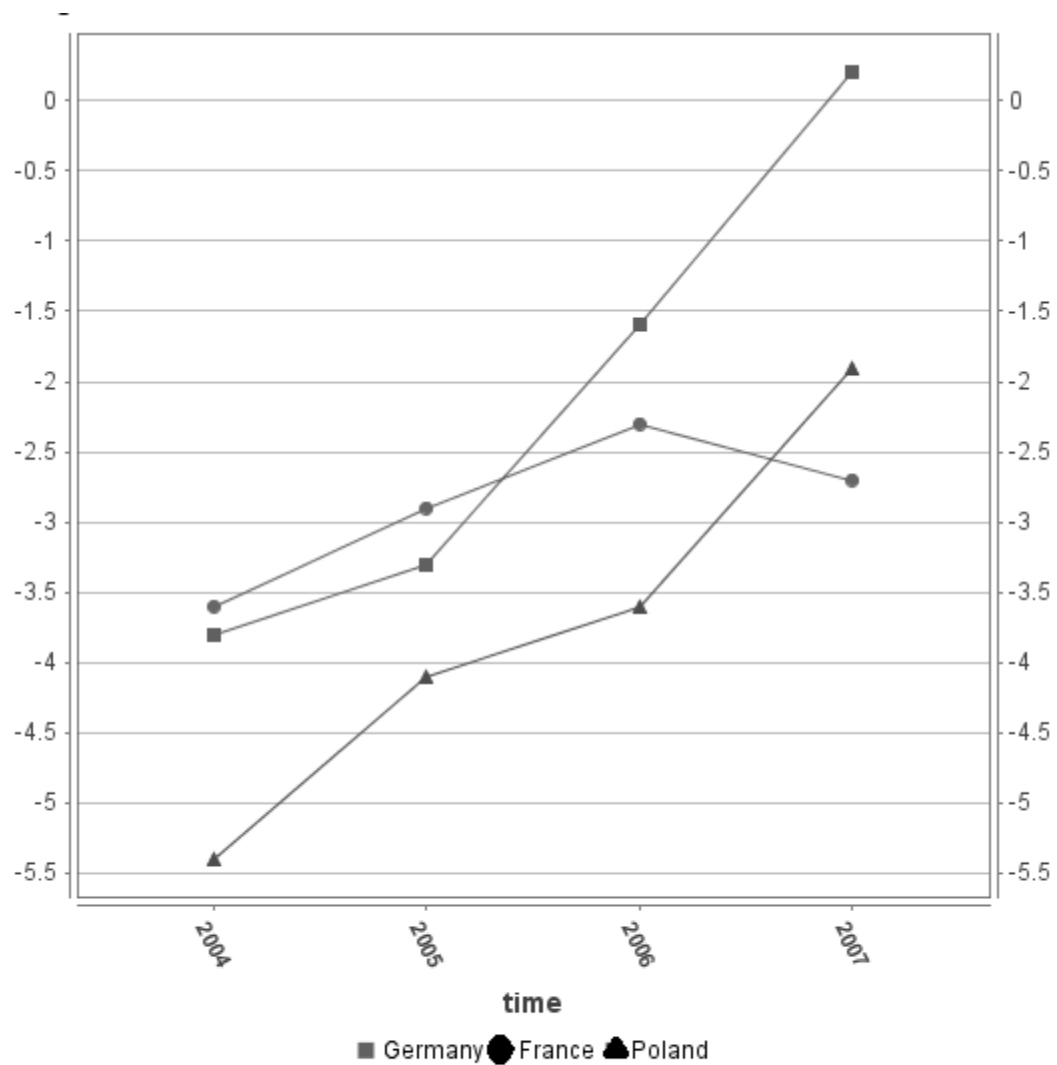


Source of Data:: Eurostat

Last update: 31.10.2011

Figure 3:

General government deficit and surplus (million EUR, % of GDP)



Source of Data:: Eurostat

Last update: 03.11.2011